

FSC-101-B		6/10/97	
SUBJECT: Movement of Retail Accrual RJR Match Dollars to Base			
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According to the Retail Accrual Manual (FSC-38-A), "Where discounting is the primary or sole means of spending Match accruals, RJR Match Dollars should be transferred to Base dollars and discounting codes utilized to implement the program. Most Independents fall into this group." Transferring Match dollars to base also allows the system to capture **ALL** promoted volume from discounting. It is the most efficient way to administer payment and monitor the spending and related promoted volume. If the dollars are spent on offensive *non-discounting* programs it is paid via the RJR Match hand held codes established for each brand.

Please use the following steps in spending RJR Match:

(Remember: Match dollars should be used for point of difference promotions.)

Match Discounting

- 1) Plan Spending
- 2) Move Dollars from Match to Base
- 3) Pay program utilizing discounting HH codes

Match Non-Discounting

- 1) Plan Spending*(KAM/AM)
- 2) Leave Dollars in Match
- 3) Pay program utilizing Match HH codes

* The new Planned Match function (D25 in BPE) allows KAM/AM to have the ROU input your program planned use of these funds.

We strongly encourage that all Full Price On-Grid needs be met prior to spending Retail Accrual Match on Off-Grid Brands.

We realize that offensive/aggressive discounting could cause off-strategy reporting. Whether the program is aggressive one pack discounting or a multi pack offer, it will be funded by the RJR Match which represents only 12% of the total discounting funds available. Also, if the offensive program is multi-pack, activity is not reported through the expert system. Therefore under either offensive program, the impact on the total division's reporting will be insignificant probably 5-6% of the total discounting funds available.

Program Contact: Anne Cullip, extension #1401

R. J. REYNOLDS TOBACCO COMPANY

51849 0722

Price Gap Issues

There has been some confusion created by the PGD presentation. The following should address the concerns that have been raised.

1.) Off-Grid Outlets (i.e. Supermarkets):

When Retail Accrual dollars are exhausted there should be no further spending.

Retail Accrual dollars if available should be used to protect our business on Winston and Camel during Plan B periods.

2.) Retail Assist Accounts:

In the PGD presentation a reference is made to Low volume accounts with RA contracts. This is referring to Low volume Pack Outlets only.

3.) Salem:

Follow the Grids on Salem as designated by the Division Grids. These are the only stores that receive PGD funding in addition to Retail Accrual.

If Salem is not on Grid utilize RJR Match and Retailer Match to support. This should be based on Salem's opportunity in the call.

4.) CTS Match dollars:

The PGD presentation makes reference to using RJR Match to fund the short fall. This is an example and suggestion but not mandatory.

51849 0723